

County of Los Angeles
DEPARTMENT OF PUBLIC SOCIAL SERVICES

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BRYCE YOKOMIZO
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LISA NUÑEZ
Chief Deputy

January 25, 2006

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

**SUBJECT: UPDATE ON THE GOVERNOR'S PROPOSED CUT TO FY 05-06
CalWORKs CHILD CARE/SINGLE ALLOCATION FUNDING**

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On January 10, 2006, the Governor released his proposed State Budget for FY 2006-07, which included a proposal to take back \$114.0 million in current-year CalWORKs Stage 1 Child Care funding. This memo provides our initial assessment of this proposed reduction. We are working closely with the Chief Administrative Office and the County Welfare Directors Association on advocacy efforts to prevent this cut from being implemented.

Since CalWORKs Stage 1 Child Care funding is part of the CalWORKs Single Allocation, which also funds welfare-to-work services, eligibility administration, and the CalLEARN program, the Governor's proposed reduction would have an impact across the CalWORKs program. We have estimated our County's share of the proposed reduction to be \$38 million. At this point, we have identified off-setting revenue in excess of \$20 million and have begun developing contingency plans to reduce current-year CalWORKs expenditures to absorb this reduction, if it is ultimately implemented. In any case, there would be no disruption in the provision of Stage 1 Child Care services to those families already receiving services or to any new family in need of such child care to fully participate in CalWORKs work activities or employment. Instead, any necessary expenditure reductions would come from other aspects of the CalWORKs program, such as welfare-to-work services or eligibility administration.

There is a substantial legal question as to whether the State Administration can implement this proposed current-year reduction unilaterally, without legislative approval. The California State Association of Counties, Urban Counties Caucus, and County Welfare Directors Association (CWDA) have all publicly taken the position that the State Administration does not have the legal authority to implement this proposed mid-year reduction unilaterally. Legal research is underway statewide in preparation for litigation, if necessary, to prevent the reduction on the grounds that any mid-year reduction would require approval by the Legislature.

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Overall, counties have expressed tremendous concern about the precedent such a mid-year reduction would set. If allowable, it would be virtually impossible for counties to establish annual budgets for any programs for which counties receive state funding for fear that funding could be eliminated at any time. Budgeting instability would also make it difficult for counties to enter into contracts with providers for essential services.

Various representatives of the State Administration have been receptive to county opposition to this proposal, since it was released last week. Active discussions are underway regarding possible alternative ways that the State could achieve comparable savings during the current fiscal year.

I will continue to provide you with additional information as it becomes available.

BY:ml

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors